

VISIT...

LANZAROTE
Caliente.COM

Get access to a powerful online productivity suite for **FREE** at:

Entrepreneur Assist



TAKE A TOUR →
SIGN UP NOW →

Entrepreneur.com

Build Your Management Team

If the time has come to admit you can't do it all, this guide can help you figure out just who you need on your executive team, where to find them and how to hire them.

By Stever Robbins

URL: <http://www.entrepreneur.com/growyourbusiness/howtoguides/article83618.html>

In the early days of running your own business, it's natural to try to do as much as possible yourself. It's the most cost-effective, comfortable, sensible way to do things in the beginning. But as your enterprise grows, you'll find yourself stretched thinner and thinner. Eventually, you'll find you just can't continue to oversee operations and sales and accounting and fulfillment and marketing--and hope to continue to grow your business.

When you reach this point, it's time to think about bringing other high-level managers on board to help you out. You need to build a senior team that's able to manage all the critical areas of your business to take it to the next level.

Building your team demands matching jobs to people's strengths. That means giving people responsibilities according to skill level, not based on how close a friend they are, or how closely related they are to you, or whether you just like their sunny personality. That includes you as well--don't give yourself an impressive title and job unless you're right for the job. The fact is, many smart entrepreneurs hire their own boss when they realize their skills lie elsewhere in the company.

When it comes time to hire an executive team, you'll need to find people to fill the following roles:

- **Chief Executive Officer (CEO).** The fact of the matter is, the CEO is the boss of everyone and is responsible for everything. They determine the company's strategy. They hire and build the senior team. They make the final call on how resources (read: money) get divvied up, and they're the one whose face appears on the cover of *BusinessWeek*--whether that's in front of a grand jury on ethics charges or in front of a 3,000-foot yacht, wildly successful, and richer than a Betty Crocker, triple-chocolate fudge cake.

The CEO's skills must include strategic thinking, the ability to rise above the daily details and decide where the industry and business are headed. They must then be able to decide the company's best route for navigating the future market conditions. They have to be able to make good bets.

The CEO's key skill, however, is in hiring and firing. The right management team can cover a CEO's shortcomings. A CEO may be able to set strategy, predict the future and control the budget, but if they don't hire the right team, they have to master it all themselves. So they need to be able to identify and hire the best, fire the ones who don't work out, and run the show in between.

You know you need a professional CEO when you're mired in the details for way too long and can't pull yourself out. CEOs think about where the organization is going, the people and processes needed to get there, and how they'll work in the current market. If you like details rather than strategy, either shift your thinking or hire a CEO to do the job for you.

- **Chief Operating Officer (COO).** A COO handles a company's complex operational details. Think about UPS moving three billion packages in the two weeks before Christmas: The company's COO insures the business can deliver day after day. He figures out just what needs to be measured so he can tell if things are going well. Then his team creates the systems to track the measurements and takes action when the company isn't delivering.

In a one-location retail business, the store manager is effectively the COO. When you expand to multiple locations or when ensuring smooth operations becomes a big part of your business, it's time to hire someone who revels in measurements, operations and details.

- **President.** No one knows just what a president does. I've asked dozens of executives, and everyone's answer is different. Some say a president oversees staff functions--human resources, finance and strategy--while the COO oversees daily operations. Others proclaim that the president is a synonym for COO, especially in smaller companies. Yet

sometimes, the president fills gaps left by the COO and CEO. Or sometimes, the title goes to someone you want at the strategy table but who doesn't have an obvious C-level title. In any case, you should think long and hard about whether you need someone to fill this title, or if your company is fully covered with a CEO and COO.

- **Chief Financial Officer (CFO).** Plain and simple, your CFO handles the money. They create budgets and financing strategies. They figure out if it's better for your business to lease or buy. Then they build the control systems that monitor your company's financial health. The CFO is the "bad guy" who won't let you buy that really cool videoconferencing equipment and makes you pay down a commercial loan instead. While you mope about it in your office, the CFO will be busy figuring out which customers, business lines and products are profitable, so next year you can afford the really cool videoconferencing equipment.

Believe me, you'll know when you need a CFO. Do you lie awake at night dreaming about numbers? No? Then you need to bring someone on board who does. You want a person whose dream birthday gift is a calculator and a blank book of ledger paper. Money is your business's blood, and in entrepreneurship, cash flow is everything. You don't know the difference between cash flow and profit? Run--don't walk--to the nearest phone and go find yourself a CFO.

- **Chief Marketing Officer (CMO).** Recently, companies have been bringing in a marketing expert at the C-level rather than as just a vice president. The reason is simple: Many current business battles are battles of marketing, so *corporate* strategy often hinges on *marketing* strategy. The CMO owns the marketing strategy--and that often includes the sales strategy--and oversees its implementation. The CMO will know (or learn) your industry inside out and helps you position your product, differentiate it from your competitors' products, enlist distributors, and make sure customers learn to crave your product.

If your business's success depends mainly on marketing, you need a CMO. That might be you--but only if you have time to keep up with competitors, oversee the marketing implementation, and still do the rest of your job--and do it well. Otherwise, you need to look for the person with the sunny disposition, Blackberry in hand, keeping up on what's hot and what's not.

- **Chief Technology Officer (CTO).** I'm a techie from way back, so I'm pretty opinionated about CTOs: Many of them just don't belong in the C-suite. A CTO should keep up with technology trends, integrate those trends into the company's strategy, and make sure the company keeps current when it's necessary. They should not be buying new toys and leading-edge technology just because it's the latest, greatest thing out there.

You need a CTO if technology impacts your business or industry strategically. (If you're in tech yourself, or your industry relies heavily on technology, that means you.)

Here's a quick test to find out if your CTO can link technology and strategy: Ask your CTO how a company's chosen programming language choice affects strategy. If the answer sounds more sophisticated than "It makes it easier to find programmers," your CTO just might know how to think strategically.

Finding Your Team Members

Unfortunately, good executives don't grow on trees (and you wouldn't want to hire the ones that do). Since their decisions can make or break your business, you want the best. Newspapers, classified ads and internet bulletin boards are not the way to go. And mass-market ads will attract exactly that--the mass market, people who have no other job prospects. (A skillful, former executive rarely lists themselves in the same newspaper section as used backyard grills and heavy farm machinery.)

If you have the funds available, executive search firms are a good way to go. Although they charge through the nose to find candidates, they do due diligence and present you with pre-screened candidates, so when you're running around handling the emergency of the day, they can be a huge time-saver. They also monitor the pool of executive talent and can likely reach candidates you couldn't approach on your own. Search firms may specialize by industry, function, geography and level of job, so if you decide to hire one, make sure you know what you're getting.

Networking is a time-honored way to find new hires. Let your professional and personal networks know what kind of person you're looking for. Then get one-on-one introductions, and take the candidate to lunch to test the chemistry.

When networking, avoid specific "networking forums." Go straight for what you want. If you want a law firm CMO, spend a weekend at the Legal Sales and Service Organization's Raindance conference, which attracts senior marketing folk from law firms. Network, network, network--but make sure it's targeted.

Once you've got a potential candidate, how will you know for sure they can do the job? Executives have great impact--on employees, on systems, on profits--so it's worth your time to check them out thoroughly. Call each of their references, and listen between the lines (with lawsuits today, recommendations always glow). A CFO may have embezzled from his last company, but the employer still says "They did a good job" (I swear--this is a true story). This grade inflation means you need to listen for less-than-glowing opinions. "Fred showed up and sat at his desk like a real trooper" is a sure sign that Fred enjoys taking every Wednesday off to go golfing with the boys.

Interviewing Tips

When it comes time to sit down with your potential C-suite candidate, there are a few things to know that will make your job

a little easier:

- **Make sure your candidate really knows the job.** If your CMO-to-be doesn't know the difference between marketing and sales or your CFO can't tell you the difference between LIFO and FIFO, pass 'em by.
- **Interview for chemistry.** Do you trust this candidate? Do you want to spend time with them? Believe me when I say, you don't want an abrasive team member, no matter how talented they may be. One COO I know, scared to make the hard decision, reorganized his entire company around a highly talented, incredibly obnoxious executive that everyone despised. The exec's talent got to shine--but everyone within 100 yards quietly subdued theirs.
- **Talk to people from your candidate's former company.** Are the candidate's claims of divine brilliance reflected in what their former peers and subordinates have to say about them? Find out if they got the work done and also how they contributed to the company's culture. In a small business, cultural issues can be every bit as important as getting things done.
- **Always hire really smart people.** Here's a good guideline to follow: Every new hire should increase your company's average IQ. That means they should all be smarter than you. Get used to it.
- **Look for evidence of learning ability.** Will your candidate repeat mistakes they've made in the past? Or will they learn from those errors and adapt that knowledge to your company?
- **Use "behavior description interviewing" techniques.** Don't ask about principles, knowledge or "what if" stories. Instead, ask your potential executive team member to share specific past events. Their stories will reveal their values, skills and abilities. For example, you might ask a CFO to describe a budget they set up and how they handled it when a manager exceeded their budget and asked for more.

One word of caution: Be wary of hiring friends or family members. They'll expect you to trust them and just assume they have a high skill level. What's worse, you may trust them and assume they have a high skill level without any evidence to the contrary until after you've hired them. And unless you take care to be very clear about the boundaries between friendship and work, you may find your friendship in ruins over workplace disagreements.

Making The Deal

Once you've found the executive you'd like to hire, you have to entice them to join your team. There are no standard rules for the best deal to offer them. Hourly workers may be thrilled to get cash, but executives aren't so easily satisfied. They often want stock options, exorbitant pay and an annual--or even quarterly--bonus. Since their job is to make the entire company succeed, use stock options and a bonus plan to link their income to the company's overall performance. Stock options should be aligned with long-term performance, while bonuses and profit sharing should be based on the past year's results.

Of course, not all executives crave stock. Ideally, you'd love someone capable who's happy with a challenging job and modest salary. And they're out there! Some well-qualified people care much more about family time, a fun culture, a challenging job, or being part of a world-changing effort. The more you understand each person's drivers, the more you can craft deals that satisfy them in ways that transcend mere dollars.

But no matter what you decide to offer, keep it simple. If your bonus formula requires a PhD in higher math to understand, it won't motivate anyone.

Delegating to Your New Executives

Once the new members of your team are on board, it's time for the truly hard part: trusting them. Your gut will fight you every step of the way. You'll assume your instructions are clear and misunderstandings are their fault. You'll assume when you disagree that you're right and they're wrong. But you'll sometimes be wrong. The key to successful executive relationships is changing what your gut tells you.

Remember how you interviewed for trust? That's important because once you hire an executive team, you must let them take their responsibilities and run with them. That means agreeing with them about what their roles are, what deliverables they're responsible for and on what timeframe.

It's also worth deciding in advance how you'll handle disagreements. You hired this person assuming their judgment was better than yours. So when you disagree, if you did your job right, chances are that they're right and you're wrong. Discuss early on about how you'll make the call, so you get the most benefit from constructive conflict. Just remember: If you agree on everything, one of you is redundant.

Entrepreneurship is about going for the things that are much bigger than what you could do alone. Your job isn't to reach the goal; it's to build a team that will reach the goal. If you really want to reach your goals, you'll need to bring on others to help, and creating a good executive team means knowing what you need them to do, finding good candidates, and giving them what they need to do their jobs. If you choose well, they'll be successful and make you successful as well.

[Steve Robbins](#) is an executive coach who helps people make key changes in their lives and careers. Co-founder or initial team member of nine startups over the past 25 years, Steve also brings his clients a strong background as a graduate of Harvard Business School and MIT.

Copyright © 2007 Entrepreneur.com, Inc. All rights reserved. [Privacy Policy](#)